

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-221

July 1, 1998

CENTRAL MAINE POWER COMPANY
Review of Annual Price Change
Pursuant to Alternative Rate

ORDER APPROVING
STIPULATION

WELCH, Chairman; NUGENT, Commissioner

In this Order, we approve a Stipulation filed by Central Maine Power Company (CMP or the Company), the Office of the Public Advocate (OPA), and the Coalition for Sensible Energy (CSE), which will allow CMP to increase its capped rates by 1.33%, effective July 1, 1998, pursuant to the Company's Alternative Rate Plan (ARP). The Stipulation was filed on June 10, 1998. While certain parties in this proceeding have not joined in the agreement, no party has opposed our approval of the Stipulation.

On March 25, 1998, CMP made its annual ARP compliance filing. CMP's filing contained two sections: (a) the "traditional ARP request" seeking price cap increases of 1.78%; and (b) a request for treatment of two "extraordinary items." The extraordinary items are a 10% rate cap reduction proposed to take effect after consummation of the Company's proposed asset sale to FPL and the treatment of Ice Storm 1998 costs. On March 25, 1998, CMP also filed its marginal cost floors pursuant to Attachment I of the ARP Stipulation and on April 1, 1998, CMP filed its Short-Term Energy Only rates.

In a Procedural Order dated April 22, 1998, the Examiners decided that the issue of how the proceeds from the Company's proposed asset sale should be applied would not be addressed in this proceeding, but instead, would be fully litigated and resolved in Docket No. 97-580, *Public Utilities Commission, Investigation of Stranded Costs, Transmission and Distribution Utility Revenue Requirements, and Rate Design*. The ARP annual review docket would remain open, however, to flow-through the effects of any rate reduction found to be appropriate by the Commission in Docket No. 97-580.

Under the ARP, the Company's base (non-earnings sharing adjusted) price change for this year would be .22%. In its request, CMP stated that based on its 1997 financial results, the Company was actually entitled to price cap increases of 2.59%. However, to keep price increases at or below the rate of inflation, CMP was voluntarily constraining its rate increase

request to 1.78%, the rate of inflation during the ARP year. The Company is correct that based on its book financial results, the Company would be eligible for an additional 2% rate cap increase under the earnings sharing provisions of the ARP. The central issue in this case, however, is to what extent the Company's earnings sharing situation may have been caused by the imprudent operations of the Company's nuclear assets, most significantly, Maine Yankee.

Currently, the issue of whether Maine Yankee's operators, and hence its expenses, were prudent during 1997, is before the Federal Energy Regulatory Commission (FERC). On an overall basis, we believe that the Stipulation fairly allocates the risk associated with the unresolved prudence issues before the FERC between ratepayers and shareholders.

Under the provisions of the Stipulation, the Company would be allowed to increase its rates by 1.33% as of July 11, 1998. Should the issues involving the prudence of CMP's 1997 expenses related to its ownership interest in Maine Yankee be resolved, either through a settlement or a FERC decision, this rate change can be adjusted downward by as much as 1.11% (the base price change unadjusted for earnings sharing) and upward by .45% (the level of CMP's requested change in its ARP filling). These adjustments would be made through the "supplemental order implementation method" or "SOIM." Paragraph 5 of the Stipulation provides:

In determining whether any SOIM Adjustment shall take place, each party to this proceeding, after resolution of the FERC proceeding (whether by litigation or settlement), is entitled to take any position and present any arguments before this Commission regarding the impact of the resolution of the FERC proceeding on the prudence of 1997 CMP expenditures related to Maine Yankee.

Based on our initial reading of the language quoted above, we were concerned that this provision would allow parties with another opportunity to litigate prudence issues decided by the FERC before this Commission as part of the SOIM procedure. At a conference of counsel held on June 16, 1998, counsel for CMP indicated that it was not the intention of the stipulating parties to provide an opportunity for the litigation of issues decided by FERC. Rather, the parties intended this provision to allow parties an opportunity to argue how a FERC decision should be flowed through in rates and would also allow parties an opportunity to allow present argument on issues not decided by FERC. Counsel for CMP also stated that although not explicitly provided for in the Stipulation, it was the stipulating parties

intent to allow the marginal cost floors and STEO rates filed by CMP in this case to go into effect.

The Stipulation also provides for a SOIM adjustment to this year's ARP rate change for unrecovered prudent Ice Storm 1998 costs. Should CMP wish to recover such costs during this year, the Stipulation provides that it must make its SOIM filing by December 1, 1998.

With the clarifications to the Stipulation provided by CMP's counsel, which have been noted above, we believe the Stipulation provides a just and reasonable resolution of all issues in this case and is consistent with our criteria for approving stipulations (parties signing represent a broad spectrum of interests; a fair process led to the stipulation; and the result is reasonable and not contrary to legislative mandate or the public interest). *Consumers Maine Water Co., Proposed General Rate Increase*, Docket No. 96-739 (July 3, 1997).

Accordingly, we

O R D E R

1. That the Stipulation filed by CMP, the OPA and CSE on June 10, 1998 in this matter is approved. A copy of the Stipulation is attached as Appendix A and is incorporated by reference herein.

2. That pursuant to the provisions of the Stipulation, CMP shall be allowed to increase its capped rates under its Alternative Rate Plan by 1.33% effective July 11, 1998.

3. That the marginal cost floors and STEO rates filed by CMP on March 25, 1998 and April 1, 1998, are approved.

Dated at Augusta, Maine this 1st day of July, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of adjudicatory proceedings are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 6(N) of the Commission's Rules of Practice and Procedure (65-407 C.M.R.11) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which consideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note:The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.